Statement of
George H. Wedgworth
to
USDA Secretary Johanns
Farm Bill Forum
Orlando, Florida September 27, 2005

Mr. Secretary, thank you for the opportunity to present our views on items that should be considered in drafting the 2007 Farm Bill as it relates to sugar.

First let me make it clear that I only speak for Sugar Cane Growers Cooperative of Florida.

We support the continuation of the present sugar provisions of the existing Farm Security and Rural Investment Act of 2002 with the following recommendations for additional provisions in the "Farm Bill" that effect sugar directly or indirectly.

Because of the time limitation I will be brief. Our three recommendations are as follows:

Recommendation I:

The subsidy through direct payments and counter-cyclical payments by USDA to traditional program crops provides unintended consequences to U.S. sugar producers. Manufacturers of high fructose corn sweeteners obtain subsidized corn feed stocks, which has allowed them a substantial competitive advantage over beet and cane sugar. This unfair subsidization should be reduced or discontinued.

Recommendation II:

The present law effecting program crops disallows the planting of fruit, vegetables, or wild rice on base acres of a participating farm. We recommend that sugar crops also be excluded to prevent the unfair economic advantage to sugar producers that also grow program crops. (See attached Recommendation II.)

Recommendation III:

Marketing of sugar by producers that do not avail themselves of adequate storage to be responsible marketers has historically caused low prices and, in many cases, a cost to the government as a result of forfeitures of sugar stocks. This can be avoided by the inclusion in the next Farm Bill's sugar provisions of a Responsible Marketing Factor (RMF.) The RMF is defined in detail by the attachment "Recommendation III." However, it is a factor that would be applied to a processor's annual marketing allotment that would encourage a processor to have adequate sugar storage to market their seasonal crops fairly equally over a 12-month period. The details are attached for your consideration.

Thank you for this brief opportunity.

George H. Wedgworth, President and C.E.O.
Sugar Cane Growers Cooperative of Florida

RECOMMENDATION II

Recommendation to Correct an Unintended Consequence
In Present U. S. Sugar Program

U. S. sugar producers who also grow program crops are highly subsidized by government payments which allows fallow acreage to be used to grow sugar crops.

This practice has caused a significant increase in beet sugar production in beet areas and cane sugar production in Louisiana and Texas during the last several years. It has created a disadvantage to sugar producers that do not produce program crops.

The average annual amount of farm commodity payments for FY 2003 - FY 2005 per acre are as follows:

Feed grains	$ 29/acre
Wheat	$ 27/acre
Cotton	$ 89/acre
Rice	$282/acre

In total, the average for FY 2003 - FY 2005 paid per year by USDA to producers in $millions was as follows:

Feed grains	$3,255
Wheat	$2,030
Cotton	$1,640
Rice	$1,268

The sugar beneficiaries of these programs are:

Rio Grande Valley, Texas/Cotton
West Louisiana/Rice
Most Beet Areas/Feed grains and Wheat

The payments in and of themselves are not the major factor. The major factor is that the producer has the fallow acreage in addition to his direct payment per acre to plant sugar crops.

Fruit, wild rice and vegetable growers successfully convinced the U. S. Congress to make it unlawful to grow vegetable or fruit crops on program crops' fallow acreage in the last Farm Bill.

The most singular cause of over production, marketing allotments, and cost to the government for sugar loan forfeitures has been the over-production of domestic sugar caused by the unfair subsidization of sugar producers by government payments for program crops.

The U.S. sugar industry should request Congress to discontinue the planting of sugar crops on fallow acreage of program crops in the next Farm Bill.

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RECOMMENDATION III

Recommendation for Consideration
For the Sugar Provisions in the 2007 Farm Bill

History shows fluctuations in U. S. sugar prices, both raw and refined, caused by many sugar producers having inadequate storage for their production. This results in a seasonal lowering of price to move high volumes of sugar due to the lack of storage capacity. The lowering of price has impacted the no-cost provisions of the Act because of forfeitures in the last several years. Therefore, the U. S. government should support and encourage responsible marketing of sugar by encouraging adequate refined and raw sugar storage to allow each processor to market their crop in equal quantities throughout the year.

Some producers will resist this proposal because of the high cost to store refined sugar. Although the storage cost is higher for refined over raw sugar, the losses in sales price caused by lowering prices to move sugar because of lack of storage would pay for storage facilities and more.

To provide sugar processors adequate time and a continuing incentive to acquire adequate sugar storage facilities to be a Responsible Marketer, the recommendation provides a 5 year phase-in period as outlined on the attachment.

It is therefore suggested that the next sugar provision of the Farm Bill provide provisions in the law that spell out a factor for Responsible Marketing Capability that would impact each producer's marketing allotment, as per the attached document.

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Recommendation to Improve Marketing Allotment Provisions in Next Farm Bill to Provide Responsible Marketing

GOAL:

To encourage sugar producers to acquire adequate sugar storage to be responsible marketers of their seasonal production over the entire year.

METHOD TO ACHIEVE GOAL:

Adjust each producer's annual marketing allotment downward based upon producer's deficiency in sugar storage capacity to achieve equal marketing throughout the year.

Equal Quantities Throughout the Year	(EQTY)
Annual Production	(AP)
Crop Period Days	(CPD)
Storage Requirement	(SREQ)
Existing Storage Capacity	(ESC)
Marketing Allotment	(MA)
Marketing Allotment Factor	(MAF)
Responsible Marketing Allotment	(RMA)

CALCULATION OF RMA:

First: Determine storage requirement

$$SREQ = \frac{365 - CPD}{365} \times AP$$

Second: Determine responsible marketing allotment factor

$$MAF = \frac{ESC}{SREQ}$$

Third: Determine responsible marketing allotment

$$RMA = MA \times MAF$$

Fourth: Phase-in period

1st Year	MA
2nd Year	MA - [(MA - RMA) x 10%]
3rd Year	MA - [(MA - RMA) x 40%]
4th Year	MA - [(MA - RMA) x 70%]
5th Year	RMA

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Recommendation to Improve Marketing Allotment Provisions in Next Farm Bill to Provide Responsible Marketing

Re-allocation of the quantity of sugar not allocated (MA-RMA) would be proportionately allocated to producers that have adequate storage capacity to be responsible marketers.

RESULTS:

- More stable prices with less seasonal fluctuation
- Reduction in forfeitures of sugar to CCC
- Encourage adequate warehouse storage for responsible marketing

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